

Message Text

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12

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 /105 W

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC PRIORITY 4962

USMISSION GENEVA PRIORITY

INFO USMISSION EC BRUSSELS

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AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: ETRD, GATT, AS

SUBJ: AUSTRALIAN IMPORT QUOTAS ON VEHICLES AND GATT COUNCIL

REF: (A) GENEVA 573 (NOTAL); (B) STATE 573 (NOTAL); (C) CANBERRA 628;
(D) CANBERRA 7528; (E) CANBERRA A-161 (NOTAL)

1. REFS A AND B CONCERN POSSIBLE U.S. STATEMENT TO
GATT COUNCIL ON ARTICLE XIX ACTION TO ESTABLISH ONE YEAR
IMPORT QUOTAS ON PASSENGER AND COMMERCIAL VEHICLES
ANNOUNCED BY GOA JAN. 28 (REF C). IN THIS REGARD, IT
MAY BE USEFUL TO DEPARTMENT AND MISSION GENEVA TO HAVE
SOME BACKGROUND ON AUSTRALIAN AUTO SITUATION. REFS D AND E
PROVIDE INFORMATION ON LOCAL INDUSTRY AND GOA EFFORTS,
WHICH HAVE BEEN AT LEAST TEMPORARILY NULLIFIED BY IMPORT
QUOTAS, TO RESTRUCTURE INEFFICIENT INDUSTRY THROUGH
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REDUCED PROTECTION AND SIMPLIFIED GOVERNMENT-

SPONSORED LOCAL CONTENT PLANS.

2. TO JUSTIFY QUOTAS UNDER ARTICLE XIX, GOA CAN MUSTER IMPRESSIVE STATISTICS TO SHOW THAT AUTO IMPORTS ROSE AT SPECTACULAR RATE FOLLOWING 25 PERCENT ACROSS-THE-BOARD TARIFF CUT IN 1973 AND FOUR SUCCESSIVE UP-VALUATIONS OF AUST. DOLLAR IN TERMS OF US AND OTHER CURRENCIES BETWEEN 1971 AND 1973. IMPORT SHARE OF LOCAL VEHICLE MARKET HAS APPARENTLY RISEN RAPIDLY AND SHARPLY FROM TRADITIONAL 10-15 PERCENT RANGE TO PEAK OF AROUND 40 PERCENT IN RECENT MONTHS. HOWEVER, EVENTS IN LAST SIX MONTHS (12 PERCENT DEVALUATION IN SEPTEMBER, 10 PERCENT RISE IN DUTY ANNOUNCED NOVEMBER 14 (REF D), LARGE INVENTORIES OF IMPORTED CARS BUILT UP IN ANTICIPATION OF IMPORT RESTRAINTS AND DRASTIC FALL IN AUTO DEMAND DUE TO ECONOMIC DOWNTURN) CERTAINLY WOULD HAVE MADE RECENT IMPORT LEVELS UNSUSTAINABLE IN COMING MONTHS. MORE SIGNIFICANTLY, ONE-YEAR IMPORT QUOTAS ARE CLEARLY ONLY STOP-GAP PALLIATIVE INTENDED TO EXPORT BURDEN OF LOCAL INDUSTRY'S PROBLEMS. INDUSTRIES ASSISTANCE COMMISSION (IAC) REPORT (REF E) ACCURATELY DIAGNOSED THE LONG-TERM PROBLEMS OF AUSTRALIAN AUTO INDUSTRY WHICH WILL HARDLY BE MITIGATED BY QUOTAS: SHORT PRODUCTION RUNS, HIGH COSTS AND LOW PRODUCTIVITY, EXCESSIVE MODEL PROLIFERATION, INSENSITIVITY TO SHIFTING LOCAL PREFERENCE FOR SMALLER CARS, AND HIGH COSTS TO CONSUMERS.

3. EMBASSY AGREES WITH REF B THAT MAJOR PROBLEM FOR U.S. POSED BY GOA IMPORT QUOTAS, WHICH WILL BENEFIT US-OWNED MANUFACTURING SUBSIDIARIES IN SHORT TERM, IS THE "IMPORTANT NEGATIVE IMPACT ON PROSPECTS FOR LONG TERM REFORM OF TRADING SYSTEM". HOWEVER, ABOVE FACTS INDICATE THAT AUSTRALIA WILL LIKEWISE EXPERIENCE "NEGATIVE IMPACT" FROM GOA MEASURES WHICH DO NOT ADDRESS REAL LONG-TERM PROBLEMS OF LOCAL INDUSTRY. HARROP

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